Weekly Economic Review

Alberta economy to slow substantially in 2015

Alberta Economic Outlook

Oil investment weighs on growth

The Government of Alberta expects real GDP growth to slow to 0.4% in 2015 and 1.7% in 2016, before rebounding to around 3% in the medium term (Chart 1). This is a sharp slowdown from 3-4% growth over the previous 5 years. The economy will be weighed down by a 30% decline in oil and gas investment in 2015 brought on by the sharp decline in oil prices. WTI is expected to average around US$55/bbl in fiscal year 2015-16, thereafter rising gradually to over US$80/bbl in 2019-20. GDP will be supported by continued growth in export volumes and household spending.

For more details, please see the *Economic Outlook in Budget 2015*.

Metres Drilled for Oil and Gas

Drilling sinks in January

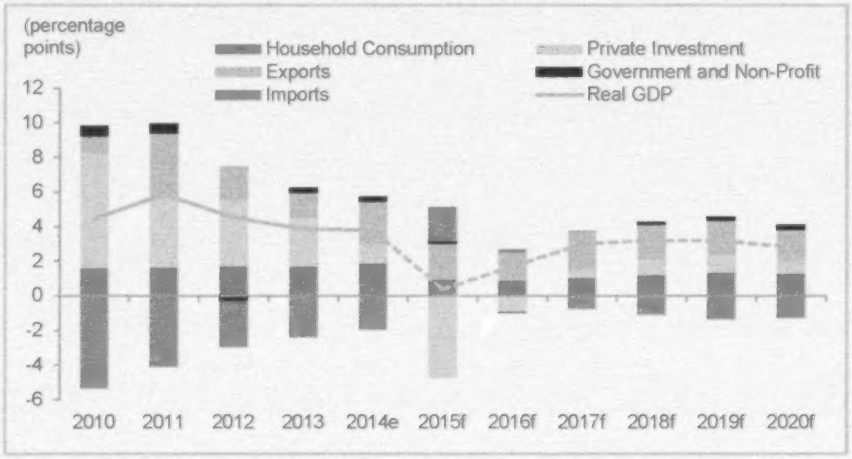
The number of metres drilled for oil and gas in Alberta in January decreased 26% from a year ago, the lowest January total since 2010 (Chart 2). The decrease was due to a 50% fall in oil metres, with metres drilled for conventional crude oil declining 54% and metres drilled for bitumen falling 34%. This more-than-offset a 24% increase in natural gas drilling. Metres drilled per well continued to increase, up 34% y/y. This is the result of increased use of horizontal drilling techniques, which are now being employed on 66% of wells, up from 62% a year ago.

Refined Products

Production continues to increase

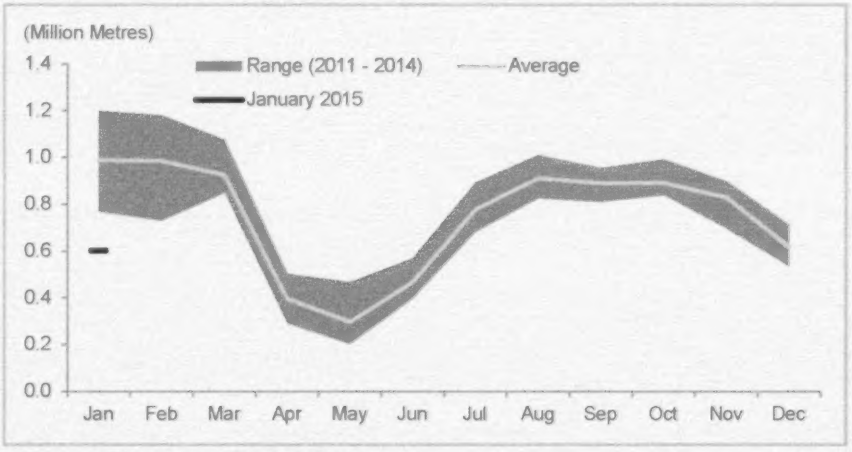
Production of final refined petroleum products in Alberta increased by 2.1% y/y in December 2014. Growth was driven by a 6.6% increase in gasoline production, as well as a 22% reduction in refinery losses. Diesel production was effectively unchanged from a year ago. Annual refinery production in 2014 was 4.5% higher than in 2013, led by diesel production, which increased 12.4%. Gasoline production in 2014 increased by 6.1%. Diesel production made up 42% of total refinery output; gasoline made up 38%.

Chart 1: Exports and consumption help to offset investment decline
Contribution to annual change in Alberta real GDP



Source: Alberta Treasury Board and Finance

Chart 2: Metres drilled for oil and gas slows dramatically in January
Number of metres drilled for oil and gas in Alberta



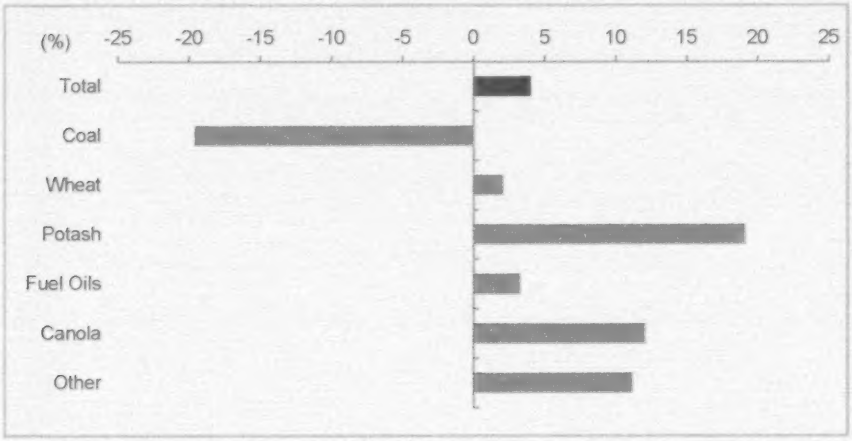
Source: Alberta Energy Regulator

Railway Car Loadings

Crude shipments slow

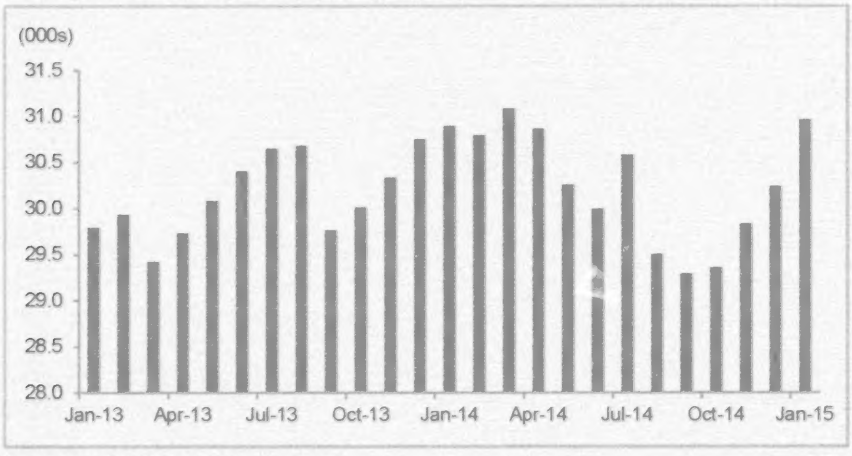
The number of railcars loaded in Western Canada increased by 4.0% y/y in January, an increase of 5,700 cars. The number of cars carrying crude oil nearly tripled between 2011 and 2013, but have since flattened out. They were up just 3.3% from January 2014. This was the lowest year-over-year increase since June 2011. The greatest contributors to the increase in car loadings were potash (+19%), fresh, chilled, and dried vegetables (+90%) and canola (+12%). These increases helped offset a 20% decrease in the number of cars carrying coal (Chart 3).

Chart 3: Potash and canola offset lower car loadings of coal
Year-over-year change in railcar loadings in Western Canada



Source: Statistics Canada

Chart 4: The number of EI beneficiaries continues to climb
Employment insurance beneficiaries in Alberta



Source: Statistics Canada

Employment Insurance

More claims in January

The number of initial employment insurance (EI) claims received in January rose to 23,340, up 26% from a year ago, the largest year-over-year increase since the 2008-09 recession. In total, there were 30,960 EI beneficiaries in Alberta, a 2.4% increase from December and the fourth-straight monthly increase (Chart 4). There were 10,850 EI beneficiaries in Edmonton, an increase of 3.6% from December. Calgary had 9,810 EI beneficiaries, an increase of 0.9%.

Across Canada there were 496,640 EI beneficiaries in January, up slightly from December, but down 2.8% y/y. Among the provinces, Newfoundland and Labrador had the largest monthly increase in beneficiaries at 2.7%, followed by Alberta. Almost all provinces posted year-over-year declines except for Quebec (+2.0% y/y) and Alberta.

US Housing Market

Housing starts drop

US housing starts dropped sharply in February, falling 17% to the lowest level in over a year, as harsh winter weather slowed building. This did not seem to hurt sales, however, as both existing and new home sales increased in February. Existing home sales rose for a fifth-consecutive month, up 1.2% over January, while new home sales hit a 7-year high, spiking by 7.8%. The impressive growth in new home sales mostly stemmed from the North East, where sales were up over 150% from January. Since February 2014, existing homes sales have risen by 4.7% and new home sales have increased by 25%.

Contact

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.